

INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE
ALCOHOL AND TOBACCO TAX DIVISION

WASHINGTON 25, D. C.

Industry Circular No. 59-42

June 16, 1959

ADJUSTMENTS FOR OVERPAYMENTS OR UNDER- PAYMENTS OF TAXES AND ALLOWED CLAIMS FOR CREDIT

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Proprietors of registered and fruit distilleries, internal revenue bonded warehouses, taxpaid bottling houses, rectifying plants, industrial alcohol plants and bonded warehouses, and others concerned:

Purpose. The purpose of this circular is to inform you of the methods you may follow in making adjustments in tax returns, Forms 2521, 2522, 2523, and 2527 for overpayments, underpayments, and allowed credit claims. The use of these forms in connection with the payment of tax by a return system was explained in Industry Circular No. 29-33, dated May 29, 1959. *39*

Adjustments for overpayments. Where you discover an overpayment on a previously filed return (either a prepayment or a semimonthly return) or when you receive notice from the assistant regional commissioner of such an overpayment, you may file a claim on Form 843 for refund of the amount of the tax overpaid or you may take credit for the tax on a subsequent return. Where credit is so taken, a statement must be attached to each copy of the return specifically identifying the overpayment. Where notice is received from the assistant regional commissioner, the statement shall identify the letter or other form of notification, by date. In all other cases reference shall be made (1) to the gauge report or withdrawal form, where the overpayment was a result of entries thereon, or (2) to the entries on the prior return which resulted in the overpayment.

Adjustments for allowed claims for credit. Where a claim for credit is filed no adjustment may be made on a return for the amount of tax covered thereby until you are advised by the assistant regional commissioner that the claim has been approved. The claim for credit should be identified by serial number assigned by the assistant regional commissioner in the statement attached to the return on which adjustment is made. Where the amount of credit to be taken exceeds the amount of tax otherwise due on a return, adjustments may be made on successive returns until the full amount of the credit is exhausted.

Adjustments for underpayments. Where you discover an underpayment of tax on a previously filed return, or where you are notified by the assistant regional commissioner of such an underpayment, you may make an adjustment therefor on your next prepayment or semimonthly return, as the case may be, or file an amended return, except that where the amount of underpayment is substantial, the assistant regional commissioner may require you to file an amended return. A statement should be attached to the return on which the adjustment is reflected, explaining such adjustment in the same manner as an adjustment resulting from an overpayment of tax. The remittance accompanying the adjusted return should include tax in the amount of the underpayment.

Amended returns. Where an amended return is to be filed, it need show only such entries as are necessary to correct and appropriately identify the underpayment on the original return for the period (or day, in the case of a prepayment return) in question. Such returns should be clearly marked "Amended Return", and should identify the period covered by the original return and bear the same serial number as the original return. The amended return should be accompanied by remittance in the amount of the underpayment.

Preparation of returns containing adjusting entries. Where adjusting entries are made on any tax return, Form 2521, 2522, 2523, or 2527, the amount of tax due after adjustment will be shown in item 3B. You will preface item 3B by an asterisk and will show, at some location on the form where it will be readily seen, the following statement:

"* This entry reflects an adjustment of tax
due with this return as explained in the attached
statement."

The statement to be attached should, in addition to identifying and explaining the adjustments covered thereby, show the following information:

1. Your name and address;
2. The serial number of the return to which it will be attached;

3. The period (or day, in the case of prepayment) covered by the return;
4. The serial number of the prepayment or semi-monthly return containing the error; and
5. A compilation showing the amount of tax due with the return before the adjustment is taken, plus or minus the amount of the adjustment, and the amount of tax due after the adjustment is made.

In no case will an adjustment be taken on a return covering tax on rectified products to reflect an over or underpayment on a previous return covering distilled spirits taxes, or vice versa. However, an overpayment or underpayment on a prepayment return for distilled spirits taxes may be adjusted on the semimonthly return for such taxes; or an overpayment or underpayment on a semimonthly return covering distilled spirits taxes may be adjusted on a later prepayment return for distilled spirits taxes. Similar adjustments may be made in semimonthly and prepayment returns covering taxes on rectified products.

Inquiries. Inquiries regarding this circular should refer to its number and should be addressed to the office of your assistant regional commissioner (alcohol and tobacco tax).



Dwight E. Avis
Director, Alcohol and Tobacco Tax Division